PART ONE

A PRODUCTION-CENTERED ECONOMIC PARADIGM

As the economist John Maynard Keynes once said, “even the most practical man of affairs is usually in the thrall of the ideas of some long-dead economist,” and that certainly applies to our era. Economic ideas can be very powerful, and none are more powerful than the various myths about manufacturing that are the subject of Chapter 2. Fortunately, sometimes a splash of reality can wake people from thralldom. A look at how the economy actually operates, at a comprehensible level of detail, particularly as concerns services and trade, should dispel some of the misconceptions about production and manufacturing.

It is not enough, however, to simply cast aspersions on the reigning philosophy. If one doesn’t offer an alternative, then even the most ardent skeptic will have nowhere else to go, except to continue to wrestle with mainstream economics, like a dog chewing on an old bone. Chapter 3 attempts to explain an alternative theory of economics. This requires understanding how systems work. If the economy and society are modeled as systems, the chances are increased of being able to comprehend these very complex processes, which increases the chances that even the skeptic can throw away that old bone.

The most important phenomenon to explain in economics is the process of economic growth. Although people have wanted to know how to increase economic growth throughout most of history, we now also have to understand how to grow without destroying life on the planet. Can we have growth that doesn’t require huge increases